



October 31, 2012

Shoshana M. Grove  
Secretary  
Postal Regulatory Commission  
901 New York Avenue, NW, Suite 200  
Washington, DC 20268-0001

Re: Docket No. MT2011-2

In accordance with Commission Order No. 721, issued April 28, 2011 in Docket No. MT2011-2, the Postal Service presents the following data collection report on the market test for Gift Cards, for Quarters 3 and 4 of FY 2012.

From April 1, 2012 through September 30, 2012, 77,284 gift cards were sold, for total revenues of \$408,775.80. After completing revenue sharing payments, net revenue was \$307,891.76. Only open loop cards are being sold at the 5,191 retail locations at year end. In the offices that sell both gift cards and greeting cards, 22.5 percent of the gift cards were sold with greeting cards. The Postal Service believes that a high percentage of the gift cards sold along with greeting cards were mailed. Moreover, 72.9 percent of the transactions involving gift cards in all locations included the sale of other postal products or services, which also might indicate that the gift cards were mailed. For more information on the proportion of gift cards that are mailed or likely to be mailed, please see the earlier data collection report filed on April 27, 2012.

The Postal Service is undertaking several measures in an effort to draw conclusions concerning the transaction costs associated with selling gift cards. Various proxies are being researched and investigated; so far none of them has proven to be closely related to the activities of selling gift cards. The Postal Service also has attempted to study window transaction activities for selling gift cards, but only 15 transactions were observed since the launch of the product. Even during the FY12 holiday season, it was difficult to find and measure gift card window transactions, because they were spread among many retail locations. It will be time consuming and costly to try to locate and measure more transactions in the future, unless the product dramatically increases its volume.

The market test has helped to validate the use of and interest in gift cards. But so far, it is inconclusive on determining if the product is covering its costs. With that said, however, looking at the transaction times for the small number of transactions observed suggests that the product revenue is covering its costs. Even using the longest transaction time possible from the 2005 window transaction study (for Registered Mail), the gift cards are close to breaking even. Since it is highly unlikely that a gift card transaction is as complicated as a Registered Mail transaction, it is safe to assume that the program is not losing money. As noted above,

moreover, we are finding that most gift cards transactions are done in conjunction with the purchase of other postal items, which should limit the transaction cost for gift cards.

Sincerely,

David H. Rubin  
Attorney